



County of Los Angeles
CHIEF ADMINISTRATIVE OFFICE

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DAVID E. JANSSEN
Chief Administrative Officer

September 9, 2003

To: Supervisor Yvonne Brathwaite Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: David E. Janssen
Chief Administrative Officer

Board of Supervisors
GLORIA MOLINA
First District

YVONNE BRATHWAITE BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

STATE LEGISLATIVE UPDATE

State Budget Update

With the Legislature scheduled to adjourn on Saturday (or possibly Friday), there are a number of missing State Budget pieces that are beginning to fall into place. The Assembly approved SB 1049, the trailer bill containing new or increased fees in the areas of natural resources and environmental protection activities which fund various activities in State departments. The bill is joined to SB 1050, another trailer bill which appropriates an additional \$10 million to the Department of Forestry and Fire Protection, and \$11.4 million to the Department of Pesticide Regulation, including \$4 million for local assistance which provides additional funding to the County Department of Agriculture. Both bills are awaiting concurrence by the Senate.

In addition, another trailer bill, SB 1053, also increases funding for two programs that had been severely cut in the adopted budget, including \$5.5 million for the War on Methamphetamine and \$8.1 million for Vertical Prosecution Block Grants to bring total funding for the program to approximately 45 percent of the prior year level. The latter restoration may reduce the projected loss to the District Attorney from earlier reductions.

Two budget trailer bills adopted by the Senate as part of their compromise have experienced problems in the Assembly. SB 9 (McClintock), which would establish a blue ribbon commission, composed of 8 members with "management experience", appointed by the Governor, to propose a list of state bureaucracies for possible realignment or closure, was amended in the Assembly to allow either house to block implementation of the plan by the Governor. However, it failed passage this week on a

largely party line vote, although there are indications that the bill will be reconsidered. SB 1082 (Burton and Brulte), which would require the Department of Finance to implement performance-based budgeting pilot projects in at least four departments has not been taken up in the Assembly.

There were indications last week that the Senate might reopen the issue of the size of the one-time ERAF transfer that redevelopment agencies were required to make in order to provide funding for various program restorations. The budget passed by the Senate included a \$250 million transfer which the Assembly reduced to \$135 million. Apparently Senator Burton has decided not to pursue an increase.

The Senate, however, may be interested in changing the method by which counties and cities are reimbursed for the half-cent reduction in local sales tax that will allow for a similar increase in the State sales tax to fund deficit financing bonds. AB 421 (Steinberg) would amend the method contained in AB 1766 (Chapter 162), by establishing an alternative method of reimbursement whose selection is contingent upon a local government having an approved general plan housing element. In addition, SB 407 (Torlakson), a bill which was recently amended to require a permanent ERAF transfer from certain enterprise special districts, primarily water districts, which have previously been exempt from ERAF, has been double-joined with AB 421. SB 407 would save the State approximately \$40 million. Under an earlier version of the bill, the savings would have been distributed to local governments to offset State budget reductions. The current bill is silent as to their distribution; however, the bill analysis indicates that this will be addressed in AB 421. The County Auditor has determined that three County Sanitation Districts would be required to make a combined ERAF transfer of approximately \$190,000 if AB 407 becomes law. In addition, two water agencies within the County, Antelope Valley-East Kern and Castaic Lake, would be required to transfer a total of \$5.3 million.

A proposal announced during the August recess to restore the Vehicle License Fee (VLF) rate reduction and local government backfill and pay for it through increased taxes on high income taxpayers, cigarettes, and alcohol never surfaced once the session resumed. However, Senator Tom McClintock has filed an initiative for a constitutional amendment to eliminate the VLF.

On a brighter note, the Department of Finance reported that General Fund revenue for July was \$171 million, or 4.1 percent above the Budget Act forecast. Most of the gain was attributable to the personal income and sales taxes. The report for August is not yet available.

Status of County-Interest Legislation

County supported, if amended, AB 496 (Correa), which would have created the Santa Ana River Conservancy (SARC), was amended in the Senate on September 8, 2003, eliminating all of its original language and changing it into a bill

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about private post-secondary vocational educational institution accreditation. As the bill no longer has any potential impact on County operations, our Sacramento advocates will discontinue their advocacy efforts on AB 496.

We will continue to keep you advised.

DEJ:GK
MAL:JR:DS:ib

c: Executive Officer, Board of Supervisors
 County Counsel
 Local 660
 All Department Heads
 Legislative Strategist
 Coalition of County Unions
 California Contract Cities Association
 Independent Cities Association
 League of California Cities